

GORENZ DISTRICT NEWSLINE

A newsletter of audit significance from Gorenz and Associates, Ltd., Peoria, IL

November 2015

How petty is your Petty Cash?

Many districts have established a petty cash fund to handle unforeseen circumstances when postage is due or a small amount of change is needed for cash collected. In some districts there are several petty cash boxes. Each school may have one along with the district office. There are some simple controls to consider so that cash doesn't walk.

We never recommend district checks being made payable to "Cash". Make the check payable to the person who is actually picking up the cash from the bank. You might lengthen the payee to "John Doe – Petty Cashier". The idea is to have some way of tracking who handled the cash from the bank to the petty cash box. Some districts issue the petty cash at the start of the school year and require that the funds on hand be re-deposited in the district checking account prior to June 30th. This gives a fresh start to each school year and doesn't leave cash in a box over the summer.

The use of petty cash should require a signed/dated voucher and a receipt for expenditures made. There should be an indication of what expenditure account to charge the disbursement to. When the petty cashier needs to re-supply the funds, a recap of how the funds were spent should be provided as part of board bills and the fund gets reimbursed by district check up to the standard balance. There should never be more than the board approved standard balance in the box.

Keep the box secure at all times. Frequent reimbursement requests may be an indication that the standard balance established is inadequate. Petty cash funds that are never used should be discontinued. The use of cash is always more difficult to trace than checks or credit cards. Besides, no one uses cash anymore, right?

Bond ... James Bond ... Treasurer's Bond

105 ILCS 5/8-2; 10-20.19; 19-6 requires custodians of district funds to be adequately bonded. The School Code calls for bond coverage to be (at a minimum) 25% of the total funds available under the Treasurer's control. Check your controls. Bond coverage should be for the person who has signature authority or withdrawal rights on the accounts. This is typically the Treasurer, but if any other individual has this withdrawal capability, they should be adequately bonded as well. Certain accounts may have other persons with signature authority (e.g. imprest checking accounts). The district should carry a standard employee dishonesty policy with adequate coverage for these smaller accounts not controlled by the Treasurer. Check with your insurance carrier if you are uncertain how a default would be covered for these types of accounts.

Because the district's cash/investment balances change daily, the adequacy of the bonding coverage may change as well. You want to carry enough coverage throughout the year, but not have to pay premiums for excess coverage. Your highest balance may occur at the start of the fiscal year, or during the fiscal year, depending on the cash flow of when your major revenue sources are received.

The issuance of working cash or building bonds will require adequate coverage. Bond counsel will make this recommendation. We often see where a district will take out a secondary policy to cover bond proceeds, but fail to reduce coverage when that funding has been spent.

The District auditor must respond each year as to the adequacy of your bond coverage in the District's AFR.

Remember to keep the integrity of your .1 objects

The .1 object code is for gross payroll and nothing else. All entries posted to your .1 accounts should come from your payroll journal. No vendor checks should be posted to a .1 account and any reimbursements (credits) are revenue, not .1 expenditure offsets. The IRS (and your auditor) should be able to tie your gross payroll as charged to your .1 accounts to the payroll tax returns completed for the fiscal year after taking into account any sheltered wages. Individuals paid as an outside contractual service should be charged to a .3 – purchased service account.

2015 Affordable Care Act (ACA) Forms – Mandatory for 2015 if 50 or more employees or self-insured

1095-B – Health Coverage

To be used by insurers to report information on coverage provided to each enrollee.

1094-B – Transmittal of Health Coverage Information Returns

Transmittal of 1095-B forms filed with IRS.

1095-C – Employer-Provided Health Insurance Offer and Coverage

To be used by applicable large employers to report information on coverage for each employee.

1094-C – Transmittal of Employer-Provided Health Insurance Offer of Coverage Information Returns

Transmittal for 1095-C forms filed with IRS.

More info available at www.irs.gov/Affordable-Care-Act

Financial Profile Score – Are we winning or losing?

ISBE contends the current calculation is a truer risk assessment of a district's financial health than the old financial watch list formula. There are four applicable designations depending on your score – Financial Recognition (3.54-4.00), Financial Review (3.08-3.53), Financial Early Warning (2.62-3.07), and Financial Watch (1.00-2.61). Below is a recap of the financial profile indicators:

- Fund Balance to Revenue Ratio – reflects overall financial strength
- Expenditure to Revenue Ratio – how much is expended for each dollar received
- Days Cash on Hand – how long could we operate if no additional money was received
- Percent of Borrowing Capacity Remaining – EAV and state percentages determine how much more can be borrowed

Scores for the above indicators are weighted and totaled to derive your “Total Profile Score”.

ISBE action items for each designation –

Financial Recognition – Highest category of financial strength. These districts require little or no review or involvement by ISBE unless requested by the district.

Financial Review – Next highest financial health category. Districts in this category will be given a limited review by ISBE, but they will be monitored for potential downward trends. ISBE will be assessing the next year's school budget for negative trends.

Financial Early Warning – ISBE will be monitoring these districts closely and offering proactive technical assistance (e.g. financial projections and cash flow analysis, etc.). Possibly qualify for a Financial Oversight Panel.

Financial Watch – Highest risk category. ISBE will be monitoring these districts very closely and offering them technical assistance including, but not limited to, financial projections, cash flow analysis, budgeting, personnel inventories, and enrollment projections. May qualify for a Financial Oversight Panel.

Districts are allowed to post comments on ISBE's website regarding their scores. There are often extenuating circumstances outside of the School administration's control which have a financial impact on the district. There is an opportunity to convey what has transpired to impact your score.

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